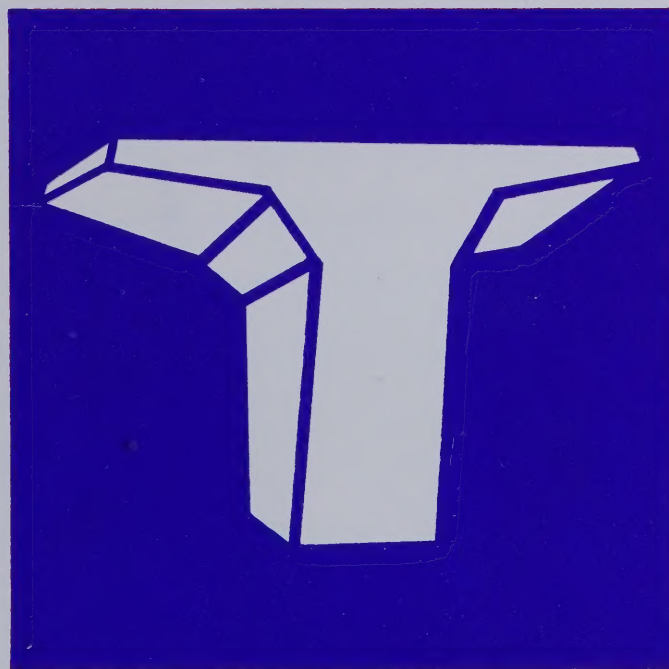
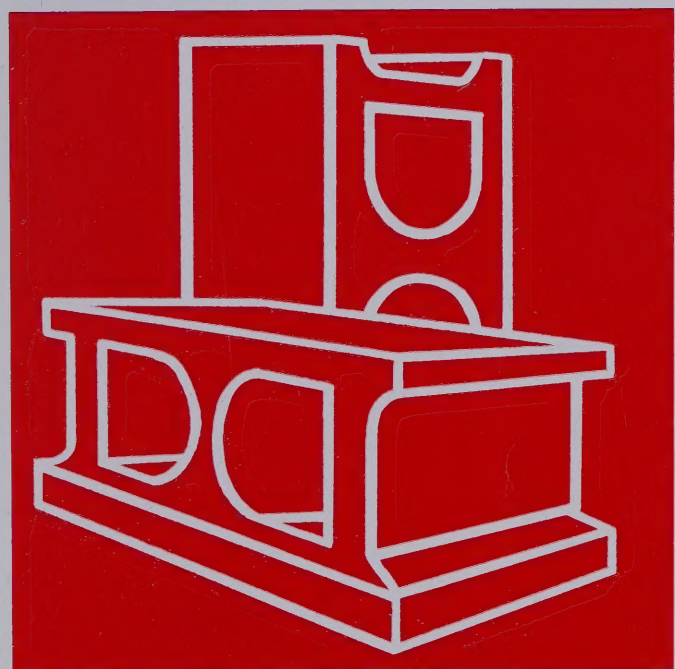
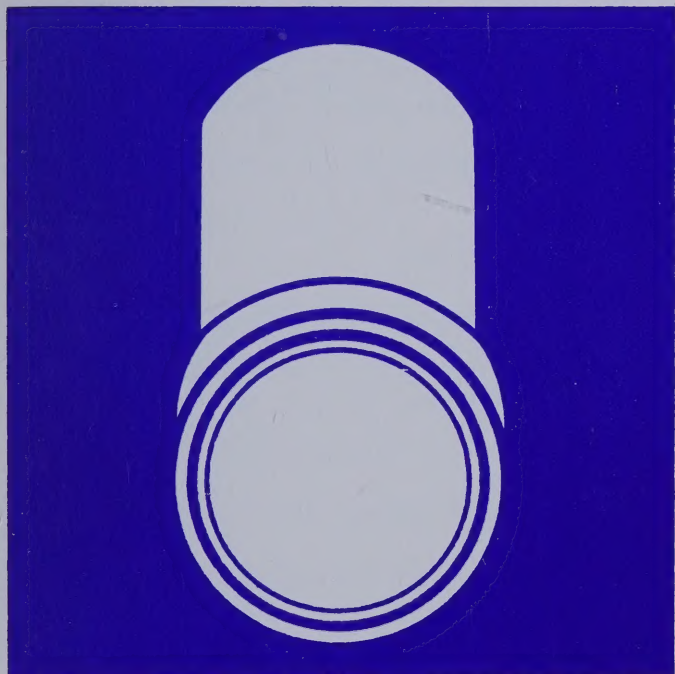


Annual Report 1970 **SUPERCRETE LTD.**



SUPERCRETE LTD.

HEAD OFFICE — 222 PROVENCHER AVENUE, ST. BONIFACE, MANITOBA

OFFICERS *President*, FRANK M. FOWLER, P. ENG.
 Vice-President, J. HENRY BORGER
 Vice-President, ALEX ROBERTSON
 General Manager, FRED DUNSMORE, C.A.
 Secretary-Treasurer, ERNEST REIMER, C.A.

DIRECTORS J. HENRY BORGER
 FRANK M. FOWLER, P. ENG.
 ALEX ROBERTSON
 CHARLES SCHWARTZ, JR.
 D. A. THOMPSON, Q.C.
 BRIAN WHITFIELD, P. ENG.

TRANSFER AGENTS AND REGISTRARS MONTREAL TRUST COMPANY
 Winnipeg, Canada
 THE BANK OF NEW YORK, New York, U.S.A.

TRUSTEE FOR DEBENTURE HOLDERS MONTREAL TRUST COMPANY
 Winnipeg, Canada

SOLICITORS THOMPSON, DEWAR, SWEATMAN

AUDITORS PRICE WATERHOUSE & CO.

NEWS RELEASE
SUPERCRETE LTD.

Quar. June 30	<u>1970</u>	<u>1969</u>
Shr. earns (after taxes)	\$ <u>.056</u>	\$ <u>.065</u> ←
Sales	<u>\$1,709,000</u>	<u>\$2,314,000</u>
Net Income Before Tax	\$ 203,000	\$ 226,000
Provision for Income Taxes	\$ 111,000	\$ 118,000
Net Income	\$ <u>92,000</u>	\$ <u>108,000</u> ✓
6 mo. shr. (after taxes)	\$ <u>.036</u>	\$ <u>.06</u>
Sales	<u>\$3,222,000</u>	<u>\$4,370,000</u>
Net Income Before Tax	\$ 134,000	\$ 205,000
Provision for Income Taxes	\$ 74,000	\$ 107,000
Net Income	\$ <u>60,000</u>	\$ <u>98,000</u>

a) No income taxes were payable in 1969 as a result of a capital cost allowance (depreciation) situation, however, taxes which would have otherwise been payable are reflected above for comparison purposes.

1970 income is subject to income taxes at prevailing rates.

✓ b) Earnings per share are based on 1,649,833 2/3 shares outstanding after giving effect to the 1-for-3 reverse stock split, effective October 27, 1969.

To Supercrete Shareholders:

Your Directors take pleasure in presenting the consolidated financial statements of your Company and its subsidiaries for the year ended December 31, 1970, together with the report of the auditors.

During 1970, the construction activity in our market area was down considerably and is reflected in the sales of the Company of \$7,312,759 as compared to sales of \$8,830,224 in 1969, a reduction of 17%. After providing for depreciation of \$429,489 and corporate income taxes of \$352,300, net income for the year 1970 amounted to \$300,944 as compared to restated net earnings in 1969 of \$341,990, after providing for depreciation of \$418,079 and corporate income taxes of \$379,100. Pre-tax earnings in 1970 amounted to \$653,244, a reduction of 9% from 1969 pre-tax earnings of \$721,090.

The consolidated statement of source and application of funds reflects a decrease in working capital of \$21,566. This decrease is mainly the result of expenditures on property, plant and equipment totalling \$765,987 during the year. One of the major capital expenditures during 1970 was the acquisition of an Edmonton precast plant. The Company continues to maintain a strong liquid position with consolidated working capital of \$1,351,690.

For several years the Company has claimed for tax purposes substantial amounts of depreciation in excess of those recorded in the accounts. As a result of this practice and of other tax benefit situations, no income taxes were paid in 1969 and for several years previously. This resulted in capital being made available for company purposes. However, as at December 31, 1969, the total amount of depreciation claimed for tax purposes was \$67,000 in excess of depreciation recorded in the accounts.

As you may recall, in my letter to shareholders accompanying the annual report for 1969, I pointed out that earnings in 1970 and subsequent years would be subject to income taxes at prevailing rates.

In 1970 the Directors of the Company adopted a policy of providing for any deferred income taxes that might arise from the claiming for tax purposes of depreciation in excess of that recorded in the accounts, and this policy is reflected in the accompanying statements. For 1970, in addition to current taxes paid of \$34,700, provision has been made for deferred taxes of \$317,600. Also in these statements the 1969 comparative figures have been restated to provide for net deferred income taxes of \$35,100, applicable to that year. This results from the deduction from income, of taxes of \$379,100 which would otherwise have been payable for that year, less an amount of \$344,000, representing tax benefits which arose in prior years.

On April 1, 1970, your Company purchased certain assets of Western Archrib Ltd., a small precast products manufacturer, located in Edmonton, Alberta. Operations are being carried on under the name of Supercrete Ltd. The acquisition of this operation has enlarged the market area for the Company's precast and prestressed concrete products division.

Mr. Brian Whitfield, Manager, Associated Companies of Canada Cement Lafarge Ltd., Prairie Region, formerly the General Manager of your Company, was appointed a director of the Company on February 23, 1971, replacing Mr. F. Lindsay Mason, who resigned.

The Directors express their sincere thanks to the employees and customers for their continued effort and contributions to the welfare of the Company.

We anticipate that construction activity for 1971 will show a moderate increase, and we are therefore forecasting improved results for 1971.

On Behalf of the Board

FRANK M. FOWLER,
President.

PRICE WATERHOUSE & CO.

CHARTERED ACCOUNTANTS

2200 ONE LOMBARD PLACE
WINNIPEG 2, MANITOBA

February 22, 1971

AUDITORS' REPORT

To the Shareholders of
Supercrete Ltd.:

We have examined the consolidated balance sheet of Supercrete Ltd. and subsidiary companies as at December 31, 1970 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting for income taxes described in note 6.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants.

SUPERCRETE LTD. *and subsidiary companies*

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1970

	<u>1970</u>	<u>1969</u>
Net sales and other income	\$7,312,759	\$8,830,224
Costs and expenses:		
Cost of sales, exclusive of depreciation, depletion and amortization shown below	5,601,849	7,036,128
Selling, general and administrative expenses	609,978	616,289
Depreciation, depletion and amortization	429,489	418,079
Remuneration of directors	4,500	4,500
Interest on long-term debt	13,699	34,138
	<u>6,659,515</u>	<u>8,109,134</u>
Earnings before income taxes	653,244	721,090
Income taxes:		
Current	34,700	—
Deferred (note 6)	317,600	379,100
	<u>352,300</u>	<u>379,100</u>
Net earnings for the year (1969 restated — note 6)	300,944	341,990
Retained earnings at beginning of year:		
As previously reported	2,468,259	1,879,194
Adjustment of prior years' income taxes (note 6)	(35,100)	344,000
As restated	2,433,159	2,223,194
	<u>2,734,103</u>	<u>2,565,184</u>
Less — Dividends paid (8c per share)	131,752	132,025
Retained earnings at end of year	<u>\$2,602,351</u>	<u>\$2,433,159</u>
Earnings per share	\$0.18	\$0.21

SUPERCRETE LTD. *and subsidiary companies*

Consolidated

DECEMBER

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash	\$ 20,184	\$ 21,087
Accounts receivable (note 2)	1,151,417	1,754,076
Inventories (notes 2 and 3)	1,110,845	917,834
Prepaid expenses	15,105	14,317
	<u>2,297,551</u>	<u>2,707,314</u>
PROPERTY, PLANT AND EQUIPMENT – at cost (note 4)	8,328,626	7,764,876
Less – Accumulated depreciation, depletion and amortization	5,067,265	4,840,013
	<u>3,261,361</u>	<u>2,924,863</u>
Approved by the Board:		
FRANK M. FOWLER, <i>Director</i>		
J. HENRY BORGER, <i>Director</i>		
	<u>\$5,558,912</u>	<u>\$5,632,177</u>

Balance Sheet

1, 1970

LIABILITIES

	<u>1970</u>	<u>1969</u>
CURRENT LIABILITIES:		
Bank loans, secured (note 2)	\$ 336,000	\$ 456,000
Accounts payable and accrued liabilities	404,545	596,819
Current instalments of long-term debt (note 5)	72,716	281,239
Income taxes payable	34,700	—
Deferred income taxes (note 6)	97,900	—
	945,861	1,334,058
LONG-TERM DEBT, less current instalments (note 5)	—	73,960
DEFERRED INCOME TAXES (note 6)	254,800	35,100
LEASE COMMITMENTS (note 7)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Common shares — par value 75c each		
Authorized — 1,666,666 2/3 shares		
Issued — 1,649,833 2/3 shares	1,237,375	1,237,375
CONTRIBUTED SURPLUS	518,525	518,525
RETAINED EARNINGS	2,602,351	2,433,159
	4,358,251	4,189,059
	\$5,558,912	\$5,632,177

SUPERCRETE LTD. and subsidiary companies

Notes to the Consolidated Financial Statements

December 31, 1970

1. PRINCIPLES OF CONSOLIDATION:

All subsidiary companies were wholly-owned at December 31, 1970 and all have been included in the consolidated financial statements. These companies were inactive during the year and have no assets or liabilities other than advances to Supercrete Ltd.

2. BANK INDEBTEDNESS:

Accounts receivable and inventories are pledged as security against bank indebtedness.

3. INVENTORIES:

	<u>1970</u>	<u>1969</u>
Finished goods and merchandise	\$ 386,224	\$ 365,956
Raw materials and manufacturing supplies	415,084	224,499
Plant supplies and spare parts	116,858	120,339
Incomplete contracts, at cost less \$188,829 progress billings (1969 — \$389,845)	192,679	207,040
	<u>\$1,110,845</u>	<u>\$ 917,834</u>

Finished goods and raw materials are stated on the basis of the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated on the basis of the lower of cost, on a first-in first-out basis, or replacement cost.

4. PROPERTY, PLANT AND EQUIPMENT:

	<u>1970</u>	<u>1969</u>
Land	\$ 355,101	\$ 309,036
Gravel and sand pits	258,151	258,151
Buildings	1,022,240	673,931
Machinery and equipment	5,346,263	5,118,098
Moulds, dies, jigs and fixtures	791,659	655,928
Construction in progress	76,926	271,446
Leasehold improvements	478,286	478,286
	<u>8,328,626</u>	<u>7,764,876</u>
Less — Accumulated depreciation, depletion and amortization	5,067,265	4,840,013
	<u>\$3,261,361</u>	<u>\$2,924,863</u>

5. LONG-TERM DEBT:	<u>1970</u>	<u>1969</u>
6% non-convertible subordinated sinking fund debentures, due March 31, 1971	\$ 72,716	\$ 193,960
Bank loan (collaterally secured by 6% serial debentures issued for that purpose)	—	61,239
6% notes payable to shareholder	—	100,000
	<u>72,716</u>	<u>355,199</u>
Less — Current instalments	<u>72,716</u>	<u>281,239</u>
	<u>\$ —</u>	<u>\$ 73,960</u>

6. DEFERRED INCOME TAXES:

Commencing January 1, 1970, the company adopted the policy of providing for deferred taxes on income and accordingly has restated the 1969 comparative figures to reflect this policy. In 1969, income taxes of \$379,100, which would otherwise have been payable for the year, were reduced by the application of tax benefits of \$344,000 which arose in prior years. These benefits arose because the company did not claim for tax purposes substantial amounts of depreciation which were recorded in the accounts.

7. LEASE COMMITMENTS:

The company is committed under property lease agreements for periods from two to twelve years at a minimum annual rental of \$103,500 with options to renew certain leases for further periods up to 30 years at varying rentals.

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1970

	<u>1970</u>	<u>1969</u>
Funds were provided by:		
Operations:		
Net earnings for the year	\$ 300,944	\$ 341,990
Depreciation, depletion and amortization	429,489	418,079
Increase in non-current portion of deferred income taxes	219,700	379,100
	<u>950,133</u>	<u>1,139,169</u>
Funds were applied to:		
Expenditures on property, plant and equipment (net)	765,987	988,733
Reduction of long-term debt	73,960	281,239
Cash dividend to shareholders	131,752	132,025
	<u>971,699</u>	<u>1,401,997</u>
Decrease in working capital	<u>\$ 21,566</u>	<u>\$ 262,828</u>

